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SUBJECT: REFORM BUT NO BIG CHANGES: THAILAND'S NEW
MINISTER OF ENERGY SPEAKS

¶1. SUMMARY. On December 4, the Ambassador, accompanied by the Commercial Counselor and a group of industry representatives met with Thailand's new Minister of Energy, Dr. Piyasvasti Amranand. In his remarks and responses to industry concerns the Minister outlined a generally welcome program of reform, but no major policy changes. He indicated that Thailand's plans for solicitation of independent power producers are on track and will go ahead with no EGAT setaside. He also said that studies will proceed for the proposed hydro project on Burma's Salween river. End summary.

¶2. On December 4, Ambassador Boyce led a delegation including the Commercial Counselor and a group of U.S. energy industry representatives to meet with Dr. Piyasvasti Amranand, Thailand's new Minister of Energy. The Ambassador congratulated Dr. Piyasvasti on assuming his position, after which the Minister gave some brief remarks and then heard comments from the industry representatives.

REGULATORY REFORM

¶3. The Minister outlined a series of government objectives for the energy sector. These included an effort to reform the regulatory regime for the sector, involving amendments to both laws and regulations. He cited the laws regarding oil trading, oil storage, and petrol stations specifically as needing amendment, and discussed plans for a new all-encompassing Petrol Act. He also discussed his intent to set up an independent regulator for the oil and gas industry.

FULL SPEED AHEAD FOR IPPS

¶4. Dr. Piyasvasti provided an update on the progress of the planned second round of bidding for Independent Power Production concessions. He noted that preparations for the bidding were nearly complete, with the IPP solicitation expected in March or April of 2007; having been postponed from May 2006. In response to an industry question, the Minister clarified that the Electricity Generating Authority of Thailand (EGAT) would not/not be participating in the next round of IPP bidding. EGAT affiliates including Electricity Generating Company (EGCO) and Ratchburi Electricity Generating Company (RATCH), however, would be allowed to participate.

TOWARDS A LEVEL PLAYING FIELD

¶5. The Minister noted that state enterprises have been moving increasingly into sectors previously dominated by the private sector, and acknowledged that this represented unfair competition. He said that the RTG would be working to level the playing field, and that state companies will be brought under the Competition Act. (Comment: It will be interesting to watch what effect, if any, this will have in the retail fuel sector, where PTT is widely believed to maintain artificially low prices to please the government. Although

the RTG formally privatized PTT in 2001, a the Ministry of Finance still holds 52% of its shares, and a Ministry of Finance mutual fund holds another 15.5%. End comment.)

SUPPORT FOR RENEWABLE, BUT NOT ZONING

¶16. The Minister welcomed investment in renewable energy projects (the Ministry has a target of 8% renewable energy in Thailand by 2011), indicating that the Ministry planned to increase the 'adders' applied to the purchase price of renewable energy as incentives. Nevertheless, the Minister cautioned that the first projects should not be overly ambitious, suggesting that a proposed 300 megawatt generating plant was too large. He also expressed his disapproval for zoning (to protect biomass fuel sources from subsequent competitors), saying "you make the project, you take the risk."

THE ENVIRONMENT SLOWS DEVELOPMENT

¶17. Responding to concerns over the environmental hurdles concessionaires must pass before proceeding with project construction, the Minister acknowledged that the current process makes rapid expansion difficult. At the same time he remarked that reform of the environmental regulations, to make the process less cumbersome, would be the most difficult issue to tackle in the sector. It is not clear that he expects any change to the current regime in the near future.

DIVIDING THE GULF: CAMBODIA'S BALL

¶18. Projections for Thailand's future energy supplies rely significantly on new gas fields in the Gulf of Thailand. Many of the potential sites, however, lie in the area of territorial overlap between Thailand and Cambodia, with

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negotiations for dividing the area ongoing. Dr. Piyasvasti told the meeting that he was not sure that an agreement could be concluded under the current government, but noted that the government did want to make progress during its term. He noted that the Thai position was very clear and that it was now up to Cambodia to respond to the latest Thai counter-proposal.

BUYING TIME ON BURMA

¶19. The Ambassador asked about the Minister's plans for the controversial dam project proposed for the Salween River in Burma, which would have EGAT buy much of the power produced by the dams. In responding Dr. Piyasvasti avoided taking a clear position on the project. He noted Thailand's need to diversify energy sources, which would need to include buying energy from neighboring countries. Yet he said that it would not be good to become over reliant on one country and noted that with natural gas Burma was already a major supplier of energy to Thailand. He expected that currently planned hydroelectric expansion in Laos would be sufficient to supply Thailand's energy needs for the next ten years. Nevertheless he noted that two MOUs had been signed with Burma for feasibility studies relating to the Salween river dams, and that these would proceed as planned. He indicated that once the studies were completed the project would be evaluated again.

COMMENT

¶10. Dr. Piyasvasti was articulate, well informed and engaged, and seemed receptive to comments from industry. He appears committed to using his limited time in office to making real improvements in Thailand's energy sector. He did not address the issue of diversification of Thailand's energy supplies and the RTG's target of increased use of coal. With considerable popular opposition to coal power in Thailand, it remains to be seen to what extend he will attempt to make progress in this area. The U.S. corporate representatives

were generally pleased with the presentation. End comment.

BIOGRAPHY

¶11. Dr. Piyasvasti Amranand was born 11 July 1953 and is married with two children. He speaks fluent English. Educated in England, Dr. Piyasvasti received a BA (1st Class Honours) in Mathematics from Oxford, an MSc (Distinction) in Econometrics and Mathematical Economics from the London School of Economics, and a PhD in Economics, also from LSE. From 1994 to June 2000 he served as Secretary General of the National Energy Policy Council, with the National Energy Policy Office (NEPO) of the Office of the Prime Minister. From June to September 2000 he was Inspector General, Office of the Prime Minister, before becoming Director General of the Public Relations Department from October 2000 to April ¶2001. He again served as Secretary General of the National Energy Policy Council from May 2001 to June 2002, before becoming Deputy Permanent Secretary, Office of the Prime Minister, from June 2002 to January 2003. In April 2003 Dr. Piyasvasti left government service, taking the position of Chairman of Kasikorn Asset Management Co., Ltd. (KAsset, Thailand's largest investment fund, with assets under its management of about USD 6.4 billion), where he remained until he was named Minister of Energy in October.

¶12. Dr. Piyasvasti has been closely involved with all major policy changes in Thailand's energy sector since 1986. These include oil pricing policy and deregulation of oil prices, reform of the electricity tariff structure, deregulation and privatization of the energy sector, as well as purchase of electricity and natural gas from projects in neighboring countries, gas pricing policy, long term power and natural gas development plans, fuel specification and vehicle emissions, demand side management, energy conservation policy and promotion of renewable energy. He has been a member of the State Enterprises Performance Evaluation Committee since 1997, serving as chairman of the working groups responsible for evaluation of the Telephone Organization of Thailand (TOT), Provincial Water Authority, Metropolitan Mass Transit Authority, Express Way and Rapid Transit Authority of Thailand, Krung Thai Bank, Small Industrial Finance Corporation and the Small Industrial Finance Credit Guarantee Corporation.

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